

November 24, 1993

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED ON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

**INITIAL PUBLIC OFFERING****FOOTHILLS OIL & GAS LTD.**

(a junior capital pool corporation)

1,400,000 COMMON SHARES  
(without nominal or par value)

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PRICE: \$0.15 Per Common Share

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The purpose of this issue is to provide Foothills Oil & Gas Ltd. (the "Corporation") with a minimum of funds with which to identify and evaluate oil and gas or mineral corporations, properties, assets or businesses with a view to their potential acquisition or the acquisition of an interest therein. See "Use of Proceeds" and "Business of the Corporation".

This issue is not underwritten and is subject to the receipt by the Corporation of the total subscription of \$210,000 which must be raised within 90 days of the issuance of a receipt for filing of a final prospectus, or such other time as may be authorized by the Chief of Securities Administration of the Alberta Securities Commission Agency (the "Chief"). See "Plan of Distribution".

|                               | Common<br>Shares | Price to<br>Public | Agent's<br>Commission <sup>(1)</sup> | Net Proceeds<br>to the<br>Corporation <sup>(2)</sup> |
|-------------------------------|------------------|--------------------|--------------------------------------|--|
| Per Common Share              | -----            | \$ 0.15            | \$ 0.015                             | \$ .135  |
| Total Offering <sup>(3)</sup> | 1,400,000        | \$210,000          | \$21,000                             | \$189,000  |

- (1) A commission of 10% of gross proceeds will be paid to Yorkton Securities Inc. (the "Agent"). The Agent will also be reimbursed by the Corporation for its expenses estimated to be \$3,000. The Agent will be granted an option to acquire 140,000 common shares in the capital of the Corporation ("Common Shares") at a price of \$0.15 per Common Share exercisable for a period ending eighteen months from the date of listing of the Common Shares on The Alberta Stock Exchange (the "Exchange"), which option is qualified under this prospectus.
- (2) Before deducting the expenses of this issue estimated at \$17,500, Agent's expenses estimated at \$3,000, and the listing fee payable to The Exchange estimated at \$3,000. See "Use of Proceeds".
- (3) A total of 1,400,000 Common Shares are offered hereunder.

**INVESTMENT IN THE COMMON SHARES SHOULD BE REGARDED AS HIGHLY SPECULATIVE.** This offering is suitable to those investors who are willing to rely on the management of the Corporation and who are prepared to risk a loss of their entire investment. Subscribers acquiring Common Shares under this offering will experience an immediate dilution of 39.2% or \$0.059 per share, based on gross proceeds of this issue, without deduction of selling commissions and related expenses of issue.



The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future. The Corporation will not acquire corporations, properties, assets or businesses outside of Canada prior to the completion of a Major Transaction. See "Speculative Nature of the Securities", "Conflicts of Interest" and "Capitalization and Dilution".

Other than the initial distribution of Common Shares pursuant to this prospectus, trading in all securities of the Corporation shall not be permitted during the period between the date of receipt of the preliminary prospectus and the time the securities are posted for trading on The Alberta Stock Exchange except pursuant to the Alberta Securities Commission (the "Commission") Policy 4.11 entitled "Junior Capital Pool Offerings".

The Alberta Stock Exchange has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the requirements of that exchange, including the distribution of the Common Shares to a minimum number of public shareholders.

The Common Shares are highly speculative due to the proposed nature of the Corporation's business and its present stage of development. The Corporation was only recently incorporated and owns no assets and has no record of earnings. There is no assurance that the Corporation will successfully negotiate the acquisition of any potential corporations, properties, assets or businesses, or any interests therein.

The Exchange may suspend from trading or delist the securities of a Junior Capital Pool Corporation where (a) the Corporation has failed to complete a Major Transaction within eighteen (18) months of the date of listing; or (b) the Corporation has failed to acquire and develop operating assets acceptable to the Exchange by that date.

There is no market for the Common Shares offered by this prospectus (the "Prospectus") and purchasers may not be able to dispose of them. The price of this offering has been determined arbitrarily by the directors of the Corporation. This offering is subject to the Junior Capital Pool Policy guidelines issued by the Commission and the Exchange. Therefore, among other things, individual purchasers of the Common Shares of the Corporation offered hereby shall not be able to purchase more than 2% of the total Common Shares offered hereby.

This offering is not underwritten and is subject to a total subscription which must be raised within ninety (90) days of the issuance of a receipt for the filing of a final prospectus or such other time as may be authorized by the Chief. If the total subscription is not raised, subscription monies will be returned to subscribers without interest or deduction. See "Plan of Distribution".

The Common Shares are offered by YORKTON SECURITIES INC., as agent on behalf of the Corporation, on a "best efforts" basis, subject to prior sale, if, as and when issued, and delivered in accordance with the conditions referred to under "Plan of Distribution" and subject to approval of Ogilvie and Company, Calgary, Alberta, of legal matters on behalf of the Agent, and the approval of Bennett Jones Verchere, Calgary, Alberta, of such legal matters on behalf of the Corporation. It is expected that definitive share certificates evidencing the Common Shares will be available for delivery approximately two weeks after the filing of the final Prospectus.

## TABLE OF CONTENTS

|  |    |
|--|----|
| PROSPECTUS SUMMARY .....   | 3  |
| THE CORPORATION .....  | 4  |
| BUSINESS OF THE CORPORATION .....                                | 4  |
| MANAGEMENT AND KEY PERSONNEL .....                               | 5  |
| USE OF PROCEEDS .....  | 6  |
| PLAN OF DISTRIBUTION .....                                       | 7  |
| DESCRIPTION OF SHARE CAPITAL .....                               | 7  |
| CAPITALIZATION AND DILUTION .....                                | 8  |
| PRIOR SALES .....  | 9  |
| PRINCIPAL SHAREHOLDERS .....                                     | 9  |
| ESCROW PROVISIONS .....  | 10 |
| DIRECTORS AND OFFICERS .....                                     | 11 |
| DIVIDEND POLICY .....  | 12 |
| PRELIMINARY EXPENSES .....                                       | 12 |
| REMUNERATION OF DIRECTORS AND SENIOR OFFICERS .....              | 12 |
| DIRECTORS' AND MANAGEMENT STOCK OPTIONS .....                    | 12 |
| PROMOTER .....   | 13 |
| MATERIAL CONTRACTS .....   | 13 |
| CONFLICTS OF INTEREST .....                                      | 13 |
| SPECULATIVE NATURE OF THE SECURITIES .....                       | 13 |
| INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS ..... | 14 |
| PURCHASER'S STATUTORY RIGHTS .....                               | 14 |
| AUDITORS, TRANSFER AGENT AND REGISTRAR .....                     | 15 |
| AUDITOR'S REPORT .....   | 16 |
| FOOTHILLS OIL & GAS LTD. BALANCE SHEET .....                     | 17 |
| NOTES TO FINANCIAL STATEMENT .....                               | 18 |
| CERTIFICATE OF THE CORPORATION .....                             | 19 |
| CERTIFICATE OF THE PROMOTER .....                                | 20 |
| CERTIFICATE OF AGENT .....                                       | 21 |



## PROSPECTUS SUMMARY

The information in this summary is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus.

### OFFERING:

A total of 1,400,000 Common Shares at \$0.15 per Common Share. In addition, the Corporation will grant an option to the Agent to purchase 140,000 Common Shares at \$0.15 per Common Share, which option is qualified under and distributed pursuant to this Prospectus. See "Plan of Distribution".

### CORPORATION:

The principal business of the Corporation will be to identify and evaluate oil and gas or mineral corporations, properties, assets or businesses with a view to their potential acquisition or the acquisition of an interest therein. As yet, the Corporation has not carried on any business and has not identified any corporations, properties, assets or businesses which it wishes to evaluate with a view to acquisition. See "Business of the Corporation". An acquisition financed by the issuance of treasury shares could result in a change in the control of the Corporation and may cause the shareholders' interest in the Corporation to be reduced.

### USE OF PROCEEDS:

The net proceeds will be used to provide the Corporation with a minimum of funds with which to identify potential acquisitions. The Corporation may not have sufficient funds to secure such acquisitions once identified and additional funds may be required. See "Use of Proceeds", "Business of the Corporation - Method of Financing Acquisitions or Participations" and "Speculative Nature of the Securities".

### DIRECTORS AND MANAGEMENT:

Raymond A. Siwiec, President, Secretary and Director  
P. Douglas McArthur, Q.C., Director  
Hervé B. Collet, Director  
Philip A. Coleman, Vice President

### DIVIDEND POLICY:

It is not contemplated that any dividends will be paid on the Common Shares in the immediate or foreseeable future. See "Dividend Policy".

### SPECULATIVE ASPECTS:

Investment in these Common Shares must be regarded as highly speculative due to the proposed nature of the Corporation's business and its present stage of development. This offering is only suitable for those investors who are willing to rely on the management of the Corporation and who are prepared to risk a loss of their entire investment. See "Business of the Corporation", "Speculative Nature of the Securities" and "Conflicts of Interest".

## **THE CORPORATION**

The Corporation was incorporated under the name Foothills Oil & Gas Ltd. A Certificate of Incorporation was issued pursuant to the provisions of the Business Corporations Act (Alberta) on September 3, 1993.

The registered office of the Corporation is located at 4500 Bankers Hall East, 855 2nd Street S.W., Calgary, Alberta, T2P 4K7. The head office and principal office of the Corporation is located at 3203 - 24th Avenue N.W., Calgary, Alberta, T2N 1N5.

## **BUSINESS OF THE CORPORATION**

### **History and Operations of the Corporation**

To date, the Corporation has not conducted operations of any kind.

The Corporation proposes to identify and evaluate opportunities for the acquisition of an interest in oil and gas or mineral corporations, properties, assets or businesses and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval. The Corporation has not yet identified any specific opportunity for acquisition.

### **Criteria for Acquisitions**

All potential acquisitions will initially be screened by management of the Corporation to determine their economic viability. The Board of Directors will examine proposed acquisitions having regard to sound business fundamentals, utilizing the expertise and experience of the directors. In the event an acquisition is to be made from a promoter, director or officer of the Corporation or from a company with whom such promoter, director or officer is affiliated or associated, the transaction will be at fair market value as determined by a current report prepared by an independent qualified third party. The Corporation will not consider acquisitions of corporations, properties, assets or businesses outside of Canada prior to the completion of a Major Transaction (as hereinafter defined).

### **Process of Identification of Acquisitions or Participations**

The Corporation proposes to identify acquisitions of interests in oil and gas or mineral corporations, properties, assets or businesses through discussions with various contacts. Once a prospective acquisition target has been identified and evaluated, the Corporation will proceed to negotiate the terms upon which the Corporation may acquire an interest in the corporation, property, asset or business.

### **Method of Financing Acquisitions or Participations**

The Corporation proposes to use cash, bank financing, issuance of treasury shares, private or public financing, or some combination thereof to finance acquisitions. If treasury shares are issued, such issuance could result in a change in control or further dilution to shareholders.

### **Requirements to be Met to Complete a Major Transaction**

In accordance with Commission Policy 4.11, any Major Transaction (as hereinafter defined) shall be submitted to shareholders of the Corporation for approval.



A Major Transaction shall include a transaction whereby:

- (a) the Corporation issues more than 25% of its issued and outstanding securities prior to the completion of the Major Transaction to acquire assets (other than cash) or securities of another issuer;
- (b) the Corporation enters into an arrangement, amalgamation, merger or reorganization (the "Reorganization") with another issuer whereby the ratio of securities which are distributed to the two sets of security holders results in the security holders of the other issuer acquiring control of the entity arising from the Reorganization;
- (c) the Corporation acquires significant assets (other than cash) or a business in any way other than as set out in (a) or (b); or
- (d) the Corporation issues more than 25% of its issued and outstanding securities prior to the completion of the Major Transaction for cash (a "Private Placement").

Notwithstanding the definition of a Major Transaction, the Exchange may not approve a Major Transaction where the Corporation fails to meet the minimum listing requirements of the Exchange upon completion of the transaction.

The Corporation will submit any Major Transaction to a meeting of the shareholders of the Corporation for approval by a majority of the minority of the shareholders after the terms of the Major Transaction have been settled, or as soon thereafter as circumstances permit. The Corporation will comply with the by-laws and policies of the Exchange and with the Alberta Securities Act respecting notice of a material change in the affairs of the Corporation and will prepare for review and approval by the Exchange and for distribution to the shareholders, an information circular containing full, true and plain disclosure in respect of all material facts related to the proposed Major Transaction and, except in the case of a private placement, such disclosure shall be made in accordance with the usual form pursuant to the Regulations under the Securities Act (Alberta), or The Alberta Stock Exchange Exchange Offering Prospectus and all other applicable requirements of the Alberta Securities Act and the regulations thereunder. All shareholders, other than the promoters, officers and directors of the Corporation, other insiders and associates or affiliates of those persons or corporations ("Related Parties"), and Related Parties to the other parties to the Major Transaction, shall be provided the right to approve the Major Transaction on the basis of the application of the "Majority of the Minority" test, and the information circular shall disclose that the resolution shall be passed by at least 50% plus one vote of the votes cast by security holders who vote at the security holders' meeting, other than Related Parties to the Corporation and Related Parties to the other parties to the Major Transaction. In the event that the transaction is a Major Transaction involving the acquisition of an asset or assets, the Corporation shall submit with the information circular, for review by the Exchange or its experts, a current independent engineering report, feasibility study or appraisal relating to the asset or assets in such circumstances where such a report, study or appraisal would be required with the filing of a prospectus. The provisions of ASC Policy 4.11 will cease to apply after the Corporation has completed a Major Transaction other than a Private Placement.

#### MANAGEMENT AND KEY PERSONNEL

Raymond A. Siwec - President, Secretary and Director. Mr. Siwec received an Honours Bachelor of Commerce degree from the University of Windsor in 1972 and a Masters of Business degree from York University in 1974. His business background includes being Director of the New Enterprise Development Program and an instructor in new venture development at the University of Calgary as well as President of New Venture Consulting Services. He has direct experience in business start-up and strategic planning along with extensive experience in management, leasing, negotiations and real estate development with several major international real estate firms. In 1988, Mr. Siwec was the major founding shareholder, President and Director of Enterprise Development Corporation which presently trades as a junior oil and gas company on The Alberta Stock Exchange.



P. Douglas McArthur, Q.C. - Director. Mr. McArthur received his Bachelor of Arts degree from the University of Calgary in 1967 and his Bachelor of Laws degree from the University of British Columbia in 1971. He practiced law in Calgary in a general legal practice from 1972 to 1980. From 1979 to 1989 he was President, Director and Chairman of Knee Hill Energy Canada Ltd. (and predecessor companies), a public junior oil and gas company which has since become a private company. Mr. McArthur is presently the President of Script Publishing Inc. and Secretary/Treasurer of Bowridge Resource Group Inc., a junior capital pool company trading on The Alberta Stock Exchange.

Hervé B. Collet - Director. Mr. Collet received his Bachelor of Geology degree from the University of Calgary in 1973. Since 1976, he has been President of Bzh Petroleum Consultants Ltd., a Calgary based oil and gas consulting firm providing management and technical services to Canadian and internationally based oil and gas companies. His oil and gas experience includes property evaluation, negotiation, exploration, drilling, production and oil and gas management on a national and international scale. Mr. Collet has been actively involved in horizontal and multi-bore drilling projects in Canada, the Paris Basin and North Africa in the recent past.

Philip A. Coleman, P. Geol. - Vice President. Mr. Coleman received his Bachelor of Science (Advanced) degree from the University of Saskatchewan in 1973. He has since 1987 been President of Triple Pacer Resources Ltd., which is a private oil and gas exploration and development company and consulting firm specializing in investments, acquisitions and divestitures within the petroleum industry, and since May, 1993 has been President of Leader Gas Ltd. which is a private oil and gas operating company involved in shallow gas development in southwest Saskatchewan. Previously he was with several public companies in various positions including Vice President of Exploration and Production of Knee Hill Energy Canada Ltd. (1981-1987), Senior Geologist at Merland Exploration (1977-1981) and Area Geologist at Husky Oil (1973-1977).

## USE OF PROCEEDS

The net proceeds to be received by the Corporation from the sale of the Common Shares offered by this Prospectus will be \$189,000 from which will be deducted the expenses of this issue. Pursuant to Commission Policy 4.11, at least 70% of all proceeds from the sale of all Common Shares, including proceeds from sales of Common Shares prior to this offering, shall be utilized by the Corporation in pursuit of its intended business purpose and objective and shall not be used for Agent's fees or commissions, officers' or directors' salaries or other forms of compensation, legal and audit expenses, listing fees and other costs of the issue of securities, or administrative and general expenses.

It is expected that the proceeds from previous sales of its securities (\$100,000) together with the proceeds of this issue (\$210,000) shall be applied as follows:

|  |                          |
|--|--------------------------|
| 1. Estimated costs of identifying, evaluating and making potential acquisitions                            | \$225,500 <sup>(1)</sup> |
| 2. Estimated Administrative and General Expenses   | 40,000                   |
| 3. Costs of this issue including legal, audit and printing but excluding listing fees and agent's expenses | 17,500                   |
| 4. Fee for Exchange Listing  | 3,000                    |
| 5. Agent's expenses and commission   | 24,000                   |
| <b>Total</b>   | <b>\$310,000</b>         |

- (1) In the event that the Corporation completes an approved Major Transaction prior to spending the entire \$225,500 on identification and evaluation of corporations, properties, assets or businesses, the Corporation may use the remaining funds to finance or partially finance the acquisition of or participation in such corporations, properties, assets or businesses, or for other purposes.



Until required for the Corporation's purposes, the proceeds will only be invested in securities of, or those guaranteed by, the Government of Canada or any province thereof or of the Government of the United States of America, in certificates of deposit or interest bearing accounts of Canadian chartered banks, trust companies or the Province of Alberta Treasury Branches, in prime commercial paper or in a publicly traded money market mutual fund.

The proceeds of this offering after deducting the costs of this issue will only be sufficient to identify a minimum number of opportunities. Additional funds may be required to finance any acquisition to which the Corporation may commit. See "Business of the Corporation", "Method of Financing Acquisitions or Participations" and "Speculative Nature of Securities".

## **PLAN OF DISTRIBUTION**

Pursuant to an agency agreement (the "Agency Agreement") dated November 24, 1993, among the Corporation, the Agent and Montreal Trust Company of Canada, the Corporation has appointed the Agent as its agent to offer for sale to the public a total of 1,400,000 Common Shares of the Corporation at \$0.15 per Common Share on a best efforts basis. The Agent will receive a commission of \$21,000, and will be reimbursed by the Corporation for its expenses estimated at \$3,000. The Corporation will grant to the Agent at the Closing a non-transferrable option to acquire 140,000 Common Shares at \$0.15 per Common Share for an eighteen (18) month period from the date of listing on the Exchange. Pursuant to Commission Policy 4.11 as amended, where the Agent receives an option or the right to subscribe for a certain number of shares as consideration for acting as Agent, 50% of the options exercised or 50% of the shares held pursuant to that right may be sold prior to the completion of the Major Transaction. The remaining 50% may only be sold after completion of the Major Transaction unless upon application by the Agent, the Exchange varies this requirement. The option to be granted to the Agent is qualified under and distributed pursuant to this prospectus. The Agent has agreed to use its best efforts to secure subscriptions for all of the Common Shares offered hereunder on behalf of the Corporation and may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation.

### **Total Subscription**

The total subscription is 1,400,000 Common Shares. The funds received from the sale of the Common Shares offered hereunder will be deposited with Montreal Trust Company of Canada, Calgary, Alberta (the "Trustee") and will not be released until a total of \$210,000 has been deposited. The total subscription must be raised within 90 days of the date of the receipt of the final prospectus, or such other time as may be authorized by the Chief of Securities Administration of the Commission and agreed to by the Agent, failing which the Trustee will remit the funds collected to the original subscribers without interest or deduction.

## **DESCRIPTION OF SHARE CAPITAL**

### **Common Shares**

The Corporation is authorized to issue an unlimited number of Common Shares without nominal or par value, of which as at the date hereof, 2,000,000 were issued and outstanding as fully paid and non-assessable, 340,000 were reserved under directors' and management stock options and 140,000 were reserved under the option to the Agent as contemplated under the Agency Agreement. See "Directors' and Management Stock Options" and "Plan of Distribution".

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. All of the Common Shares to be outstanding on completion of this offering will be fully paid and non-assessable.



### First Preferred Shares

The Corporation is authorized to issue an unlimited number of First Preferred Shares issuable in series. As at the date hereof, there are no issued and outstanding First Preferred Shares. The First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. The First Preferred Shares are entitled to preference over the Second Preferred Shares and the Common Shares of the Corporation with respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation. Except as required by law, or as provided with respect to any series of First Preferred Shares, the holders of the First Preferred Shares are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.

### Second Preferred Shares

The Corporation is authorized to issue an unlimited number of Second Preferred Shares issuable in series. As at the date hereof, there are no issued and outstanding Second Preferred Shares. The Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. The Second Preferred Shares are entitled to preference over the Common Shares of the Corporation with respect to payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation. Except as required by law, or as provided with respect to any series of Second Preferred Shares, the holders of the Second Preferred Shares are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.

### CAPITALIZATION AND DILUTION

| <u>Capital</u>   | <u>Amount Authorized</u> | <u>Outstanding as at October<br/>18, 1993</u> | <u>Outstanding After Giving<br/>Effect to this Issue</u> |
|--|--------------------------|---|--|
| Common Shares  | Unlimited                | \$100,000 (2,000,000 shares)                  | \$310,000 (3,400,000 shares)                             |
| (1) The retained earnings and deficit of the Corporation as at October 18, 1993 are nil.   |                          |   |  |
| (2) The Corporation has granted options for an aggregate of 340,000 Common Shares at \$0.15 per share to the directors and management. See "Directors and Management Stock Options". |                          |   |  |
| (3) The Corporation has reserved an aggregate of 140,000 Common Shares at \$0.15 per share pursuant to the option to be granted to the Agent. See "Plan of Distribution".            |                          |   |  |

Subscribers acquiring Common Shares under this offering will experience an immediate dilution of 39.2% or \$0.059 per share, based on gross proceeds of this issue without deduction of selling commissions and related expenses of issue.

If the Corporation issues treasury shares to finance its acquisitions or participations, control of the Corporation may change and subscribers may suffer further dilution of their investment.

### PRIOR SALES

Since the date of incorporation, 2,000,000 Common Shares have been issued as follows:

| <u>Date</u>        | <u>Number of<br/>Shares</u> | <u>Issue Price<br/>per Share</u> | <u>Aggregate<br/>Issue Price</u> | <u>Nature of Consideration<br/>Received</u> |
|--------------------|-----------------------------|----------------------------------|----------------------------------|---|
| September 30, 1993 | 2,000,000                   | \$0.05                           | \$100,000                        | Cash  |

### PRINCIPAL SHAREHOLDERS

The following table lists those persons who own of record or are known to the Corporation to own beneficially, directly or indirectly, issued and outstanding Common Shares of the Corporation as at September 30, 1993:

| <u>Name and<br/>Municipality</u>         | <u>Type of<br/>Ownership</u>  | <u>Number of<br/>Common Shares</u> | <u>Percentage of<br/>Shares Owned<br/>Before Offering</u> | <u>Percentage of<br/>Shares Owned<br/>After Offering</u> |
|--|-------------------------------|------------------------------------|---|--|
| Raymond A. Siwiec<br>Calgary, Alberta    | of record and<br>beneficially | 700,000                            | 35%   | 21%  |
| Laura M. Siwiec<br>Calgary, Alberta      | of record and<br>beneficially | 320,000                            | 16%   | 9.6%   |
| P. Douglas McArthur<br>Calgary, Alberta  | of record and<br>beneficially | 200,000                            | 10%   | 6%   |
| Philip A. Coleman<br>Calgary, Alberta    | of record and<br>beneficially | 200,000                            | 10%   | 6%   |
| Hervé B. Collet<br>Calgary, Alberta      | of record and<br>beneficially | 200,000                            | 10%   | 6%   |
| Edward Siwiec<br>Toronto, Ontario        | of record and<br>beneficially | 160,000                            | 8%  | 4.8%   |
| B. Vaughan Armstrong<br>Calgary, Alberta | of record and<br>beneficially | 100,000                            | 5%  | 3%   |
| Robert Elsworthy<br>Calgary, Alberta     | of record and<br>beneficially | 100,000                            | 5%  | 3%   |
| Edward E. Gilbert<br>Calgary, Alberta    | of record and<br>beneficially | 20,000                             | <u>1%</u>   | <u>0.6%</u>  |
|  |                               |                                    | 100%  | 60%  |



## ESCROW PROVISIONS

All of the securities of the Corporation:

- (a) beneficially owned, directly or indirectly, at the time of this offering;
- (b) acquired hereunder; and
- (c) acquired, upon the exercise of options, prior to completion of a Major Transaction;

by the promoters, officers, directors, other insiders and associates or affiliates of these persons (the "Related Parties"), including all of the presently issued Common Shares, shall be held in escrow pursuant to an agreement in compliance with Form 16 or 17 of the Regulations to the Securities Act (Alberta). All securities of the Corporation acquired in the secondary market prior to a Major Transaction by a Control Person shall be held in escrow. A Control Person means any person or company that holds or is one of a combination of persons or companies that holds:

- (a) a sufficient number of securities of an issuer so as to materially affect control of the issuer;  
or
- (b) more than 20% of the outstanding voting securities of the issuer except where there is evidence showing that the holdings of those securities does not affect materially the control of the issuer.

Upon the Corporation completing a Major Transaction, other than a Private Placement, the escrowed securities shall be released as to 1/3 on each of the first, second and third anniversary dates of the completion of a Major Transaction, provided that the Chief of Securities Administration of the Alberta Securities Commission Agency (the "Chief") shall approve the first release on the first anniversary date. The Chief may, at the time of consenting to the first release, also consent to the second and third releases. If a Major Transaction (other than a Private Placement) is not completed, the escrowed securities shall not be released. If a Related Party acquires securities in a Major Transaction (other than a Private Placement), then those securities shall be held in escrow and released as to 1/3 on each of the first, second and third anniversaries of the completion of a Major Transaction. Securities acquired in a Private Placement by a Control Person (determined after giving effect to the Private Placement) shall be held in escrow and shall be released as to 1/3 on each of the first, second and third anniversaries of the completion of a Major Transaction. Securities issued in exchange for assets of uncertain value shall be held in escrow and shall be released as to 1/3 thereof on each of the first, second and third anniversaries of the Major Transaction provided the written approval of the Exchange is obtained.

All shares held in escrow will be deposited with Montreal Trust Company of Canada, pursuant to an Escrow Agreement dated November 24, 1993 which provides, in addition to the provisions set forth above, that all voting rights attached to escrowed securities shall be exercised by the registered holder of the shares.

## DIRECTORS AND OFFICERS

The following are the names and municipalities of residence of the directors and officers of the Corporation, their positions and offices with the Corporation and their principal occupations during the last five years:

| Name and Municipality of Residence                | Office                            | Principal Occupation and Positions During the Last Five Years  |
|---|-----------------------------------|--|
| Raymond A. Siwec<br>Calgary, Alberta              | President, Secretary and Director | Independent businessman since February, 1993. General Manager of the Calgary property management department of Colliers Macaulay Nicolls Inc. from November, 1990 to January, 1993; salesperson with Colliers Macaulay Nicolls Inc. from January, 1990 to October, 1990; President of New Venture Consulting Services from November, 1985 to December, 1989. President and Director of Enterprise Development Corporation from June, 1987 to completion of reverse takeover in April, 1988.                          |
| P. Douglas McArthur,<br>Q.C.*<br>Calgary, Alberta | Director                          | Independent businessman from January, 1993, and presently the President of Script Publishing Inc. Director of Southern Alberta office of the Premier of Alberta from April, 1990 to December, 1992. President of C2C Satellite Productions Inc., a satellite uplink and television production company from May, 1989 to March, 1990. President, Director and Chairman of Knee Hill Energy Canada Ltd. (and predecessor companies) an oil and gas exploration and development company from July, 1977 to March, 1989. |
| Hervé B. Collet*                                  | Director                          | President of Bzh Petroleum Consultants from 1976 to the present.   |
| Philip A. Coleman<br>Calgary, Alberta             | Vice President                    | President of Triple Pacer Resources Ltd. from 1987 to present and President of Leader Gas Ltd. from May, 1993 to present.  |

\* These directors are also members of the audit committee

The Corporation does not have any officers or directors who initially will be devoting their full time to the business of the Corporation. Messrs. Siwec, Collet and Coleman will each devote up to 20% of their time to the affairs of the Corporation and Mr. McArthur will devote up to 10% of his time to the affairs of the Corporation. Upon completion of the Major Transaction, the amount of time spent on the affairs of the Corporation will depend on the property or business acquired and includes the possibility of one or more of the officers or directors devoting their full time to the Corporation.

See also "Management and Key Personnel".



## DIVIDEND POLICY

No dividends have been paid on any shares of the Corporation since the date of its incorporation and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## PRELIMINARY EXPENSES

Since its incorporation the Corporation has incurred neither administrative nor development expenses. Excluding the costs of this issue (including listing, legal and audit expenses), it is estimated that during the 12 month period from the date of this Prospectus, administrative expenses of approximately \$40,000 may be incurred. These expenses may change if the directors and officers consider a change to be in the best interests of the Corporation. See "Use of Proceeds".

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration has been paid to any director or officer of the Corporation since incorporation. No remuneration is planned to be paid to any officer or director of the Corporation for the period of September 30, 1993 to September 30, 1994 but such situation may change if the directors believe the Corporation is capable of paying salaries. No remuneration is to be paid to directors in their capacity as directors.

The Corporation has signed directors' and management stock option agreements. See "Directors' and Management Stock Options".

## DIRECTORS' AND MANAGEMENT STOCK OPTIONS

As at November 24, 1993 the Corporation has granted stock options to its directors and officers as follows:

| <u>Name</u>         | <u>Date of Grant</u> | <u>Number of Common<br/>Shares Under Option</u> | <u>Exercise Price<br/>Per Common<br/>Share</u> | <u>Expiry Date</u> |
|---------------------|----------------------|---|--|--------------------|
| Raymond A. Siwiec   | October 21, 1993     | 113,334   | \$0.15   | October 21, 1998   |
| P. Douglas McArthur | October 21, 1993     | 113,333   | \$0.15   | October 21, 1998   |
| Hervé B. Collet     | October 21, 1993     | 113,333   | \$0.15   | October 21, 1998   |
| <b>TOTAL</b>        |                      | <b>340,000</b>                                  |  |                    |

All shares acquired on exercise of directors and management options, when acquired, shall be subject to escrow unless such shares are acquired after a Major Transaction has been completed.

These options are non-transferable and will expire, if not exercised, one-year following the date the optionee ceases to be a director or hold an office of the Corporation by reason of death or ninety (90) days after ceasing to be a director or officer for any reason other than death.

The Board of Directors of the Corporation has adopted a Stock Option Plan for the Corporation (the "Plan"). Pursuant to the Plan, the Board of Directors of the Corporation may allocate non-transferable options to purchase common shares of the Corporation to directors, officers and employees of the Corporation and to consultants retained by the Corporation.

Under the Plan the aggregate number of shares to be delivered upon the exercise of options granted thereunder may not exceed 10% of the issued shares of the Corporation at the time of granting the options.

Further, the aggregate number of shares to be delivered upon exercise of the options granted thereunder to any one individual shall not exceed 5% of the issued shares of the Corporation. Options issued pursuant to the Plan subsequent to this offering shall have an exercise price not less than that from time to time permitted by the stock exchange on which the shares are listed.

### **PROMOTER**

Raymond A. Siwec may be considered to be the promoter of the Corporation in that he took the initiative in founding and organizing the Corporation. The promoter and other directors have been granted options to acquire a combined total of 340,000 Common Shares at a price of \$0.15 per share. See "Directors' and Management Stock Options".

### **MATERIAL CONTRACTS**

The Corporation has not entered into any contracts material to investors in the Common Shares within the two years prior to the date hereof, other than:

1. Directors' and Management Stock Option Agreements dated as of October 21, 1993. See "Directors' and Management Stock Options".
2. Agency Agreement dated November 24, 1993 among the Corporation, the Agent and Montreal Trust Company of Canada. See "Plan of Distribution".
3. Escrow Agreement dated November 24, 1993 among the Corporation, Montreal Trust Company of Canada and those shareholders that executed such Escrow Agreement. See "Escrowed Securities".

Copies of these agreements will be available for inspection at the registered office of the Corporation, 4500, 855 2nd Street S.W., Calgary, Alberta, T2P 4K7 and at the offices of the Alberta Securities Commission Agency during ordinary business hours while the securities offered by this Prospectus are in the course of distribution and for a period of 30 days thereafter.

### **CONFLICTS OF INTEREST**

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Alberta).

### **SPECULATIVE NATURE OF THE SECURITIES**

There is no established market for the Common Shares of the Corporation. This offering should be considered highly speculative due to the proposed nature of the Corporation's business and the fact that the Corporation was only recently incorporated and has no substantial assets other than cash nor has it identified any business or assets for acquisition.

The Corporation has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future. The Corporation will not acquire corporations, properties, assets or businesses outside of Canada prior to the completion of a Major Transaction. See "Conflicts of Interest" and "Capitalization and Dilution".

There is no assurance that the Corporation will be able to identify acquisitions which will be profitable. Moreover, should the Corporation identify any corporations, properties, assets or businesses and determine that



an acquisition is warranted, the Corporation may not be able to finance the acquisition and additional funds may be required to meet such obligations. As a result of these factors, this offering is only suitable to those investors who are prepared to risk a total loss of their investment and who are willing to rely on the management of the Corporation. See "Business of the Corporation" and "Method of Financing Acquisitions or Participations".

The Exchange may suspend from trading or delist the securities of a Junior Capital Pool Corporation where the Corporation has failed to complete a Major Transaction within 18 months of the date of listing, or where the Corporation has failed to acquire and develop operating assets acceptable to the Exchange by that date. The Exchange may not approve a Major Transaction where the Corporation fails to meet the minimum listing requirements of the Exchange upon completion of the Acquisition.

The dilution factor for subscribers for Common Shares is 39.2% or \$0.059 per Common Share, calculated on the basis of total gross proceeds to the Corporation from this issue and prior sales without deduction of related expenses. If the Corporation issues treasury shares to finance its acquisitions or participations, control of the Corporation may change and subscribers may suffer dilution of their investment.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Three of the directors and officers have options to acquire a combined total of 340,000 Common Shares. See "Directors and Management Stock Options".

### **PURCHASER'S STATUTORY RIGHTS**

Sections 106, 168 and 175 of the Alberta Securities Act (the "Act") provide, in effect, that when a security is offered in the course of a distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received by the purchaser; and
- (b) if a prospectus, together with any amendment to the prospectus, contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation and, subject to the limitations set forth in the Act,
  - (1) has a right of action for damages against,
    - (i) the issuer or a selling security holder on whose behalf the distribution is made,
    - (ii) each underwriter required to sign the certificate required by section 91 of the Act,
    - (iii) every director of the issuer at the time the prospectus or amendment was filed,
    - (iv) every person or corporation whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them, and

- (v) every other person or corporation who signed the prospectus or the amendment,

but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or one year from the day of the transaction that gave rise to the cause of action,

- (2) where the purchaser purchased the security from a person or corporation referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, corporation or underwriter, in which case he shall have no right of action for damages against such person, corporation or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Reference is made to the Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditor of the Corporation is Barr Shelley Stuart, 635, 808 - 4th Avenue S.W., Calgary, Alberta, T2P 3E8.

Montreal Trust Company of Canada through its office at 411 - 8th Avenue, S.W., Calgary, Alberta, T2P 1E7 is the transfer agent and registrar for the Common Shares.



# BARR SHELLEY STUART

CHARTERED ACCOUNTANTS

SUITE 600, 808 - 4 AVENUE, S.W.  
CALGARY, ALBERTA T2P 3E8

(403) 269-1320 FAX 269-3573

-16-

## AUDITORS' REPORT

### TO THE DIRECTORS OF FOOTHILLS OIL & GAS LTD.:

We have audited the balance sheet of Foothills Oil & Gas Ltd. as at October 18, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 18, 1993 in accordance with generally accepted accounting principles.



Calgary, Alberta  
October 22, 1993,  
except as to Note 3 which  
is as of November 24, 1993

CHARTERED ACCOUNTANTS

**Foothills Oil & Gas Ltd.**

**BALANCE SHEET**

AS AT OCTOBER 18, 1993

**ASSETS**

**CURRENT**

Cash

\$100,000

**SHAREHOLDERS' EQUITY**

CAPITAL STOCK - Notes 2 and 3

\$100,000

SIGNED ON BEHALF OF THE BOARD:

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(signed) Raymond A. Siwec - Director

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(signed) P. Douglas McArthur, Q.C. - Director



Foothills Oil & Gas Ltd.

NOTES TO FINANCIAL STATEMENT

October 18, 1993

NOTE 1 - INCORPORATION/NATURE OF BUSINESS

The Corporation was incorporated under the Business Corporations Act (Alberta) on September 3, 1993 and is classified as a Junior Capital Pool corporation as defined in the Alberta Securities Commission Policy 4.11. The Corporation has not commenced operating at the balance sheet date.

NOTE 2 - CAPITAL STOCK

Authorized

- Unlimited number of common voting shares
- Unlimited number of first preferred shares, issuable in series
- Unlimited number of second preferred shares, issuable in series

The directors of the Corporation are authorized to determine the designation, rights, privileges, restrictions and conditions attaching to all of the preferred shares.

Issued

|                         |                   |
|-------------------------|-------------------|
| 2,000,000 common shares | \$ <u>100,000</u> |
|-------------------------|-------------------|

The 2,000,000 common shares were issued for a cash consideration of \$100,000.

Under the requirements of the Alberta Securities Commission and The Alberta Stock Exchange, the 2,000,000 common shares are held in escrow. The escrowed shares will be released, upon written consent of the Alberta Securities Commission, as to one-third thereof on the first anniversary of the completion of the Corporation's major transaction.

The Corporation has adopted a stock option plan for its directors, officers, employees and consultants and has granted options to purchase 340,000 common shares at \$0.15 per share. These options expire on October 21, 1998. The Stock Option Plan is subject to regulatory approval.

NOTE 3 - SUBSEQUENT EVENTS

The Corporation has entered into an agreement to offer for sale to the public 1,400,000 common shares at \$0.15 per share. The gross proceeds to the Corporation are estimated to be \$210,000 before deducting expenses of this issue estimated at \$17,500, the listing fee estimated at \$3,000, and the agent's expenses and commission estimated at \$24,000.

The Corporation has granted to its agent a non-transferable option to purchase up to 140,000 common shares at a price of \$0.15 per common share exercisable at any time prior to 18 months from the date of the listing of the common shares on The Alberta Stock Exchange.

DATED: November 24, 1993

**CERTIFICATE OF THE CORPORATION**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

---

(signed) Raymond A. Siwiec  
Chief Executive Officer  
and Chief Financial Officer

**ON BEHALF OF THE BOARD**

---

(signed) P. Douglas McArthur, Q.C.  
Director

---

(signed) Hervé B. Collet  
Director



**CERTIFICATE OF THE PROMOTER**

November 24, 1993

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

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(signed) Raymond A. Siwec

**CERTIFICATE OF AGENT**

November 24, 1993

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 8 of the Securities Act (Alberta) and the regulations thereunder.

Yorkton Securities Inc.

Per: \_\_\_\_\_

(signed) Michael G. Prew

The following includes the name of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Yorkton Securities Inc.: Yorkton Holdings Limited





